

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

RECEIVED
MAY 16 1996
FCC MAIL ROOM

In The Matter of)
Federal-State Joint Board on)
Universal Service)

FCC 96-93
CC Docket No. 96-45

DOCKET FILE
DOCKET FILE COPY ORIGINAL

INITIAL COMMENTS OF THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

The South Dakota Public Utilities Commission (SDPUC) substantially agrees with and supports the comments filed by Maine, et. al.¹ The SDPUC has additional, and in certain circumstances, variant concerns regarding the Subscriber Line Charge (SLC), and the end result of balancing the SLC, explicit subsidy recognition, universal service, comparable service, and comparable rates. The SDPUC has additional comments on support for elementary and secondary schools, libraries, and health care facilities.

COMMENTS

The SDPUC recognizes establishment of truly competitive markets should ultimately lead to identification and elimination of pricing subsidies. In a competitive market this will occur with or without government intervention. The Telecommunications Act of 1996 dictates competitive market ordering, but recognizes that an unmanaged transition from a regulated to an

¹ SDPUC Commissioner and Federal-State Joint Board Member Laska Schoenfelder and SDPUC analyst Charlie Bolle did not assist in the preparation of these comments.

unregulated environment may result in outcomes contrary to the public interest. The SDPUC agrees.

Deregulation is not, however, synonymous with true competition. Competition is characterized by the entry and exit of service and product providers having virtually no effect on the market. South Dakota is, by any measure, a rural state and rural implies a high cost state. South Dakota's per capita income is among the lowest of any state. We can't take provision of basic and universal service for granted. We can't assume deregulation automatically leads to competition and a seamless array of service providers.

The SLC has been justified and vilified on many bases. Its simultaneous effect on a mixture of regulated and deregulated markets has been subject to endless debate. Some SLC facts seem clear amidst the confounding smoke:

- The SLC shifts costs from the interLATA user to all conventional users. This shift has a recognizable effect of hampering universal service goals.
- The SLC was, in effect, an attempt to explicitly recognize customer-specific and customer-assignable system cost responsibility. The SLC debate, however, generally addresses inter-service and not inter-customer subsidies. The issue lacks universal clarity.
- Expansion of the SLC, or alternatively, full rate recognition of customer-assignable and customer-specific non-traffic sensitive costs will increase explicit subsidies necessary to assure universal service, comparable service, and comparable rates. This truth is more critical in a rural and relatively low-income state such as South Dakota.

- Carriers are reluctant to volunteer universal service support once the subsidy is recognized.
- It is assumed that taxpayers will share the carriers reluctance to volunteer support for universal service support funding.

The customers' concern will not be directed toward proper recognition of cost responsibility and economic theory. The customer is concerned about the resultant price. It is erroneous to assume universal service is an accomplished fact. It is erroneous to assume that basic service rates are price inelastic at both current rates and within a given higher price increment. Shannon County, South Dakota, in the 1990 census, had telephone service to 47% of occupied dwellings. In the same 1990 census, Todd County had 57%, Buffalo County had 63%, Ziebach County had 66%, and Mellette County had 71%.

The SDPUC has no quarrel with proper and well-founded cost recognition. But cost recognition alone does not address the intent of Congress. It is clear that universal service, comparable technology, and comparable pricing were also primary Congressional concerns. These concerns will ultimately be addressed in both rates and support mechanisms. Furthering of the public interest requires that nominal competitive and cost recognition goals should not be allowed to override universal service and comparable service standards.

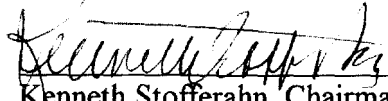
South Dakota's population characteristics place increased emphasis on telecommunications-related education and health care opportunities. We believe we have already taken progressive measures to incorporate telecommunications into our educational system. We believe we have no alternative to promoting this arrangement. We are a low-income state with a sparse population. We thus have high costs and a lesser ability to pay. We

need to emphasize telecommunications in order to meet the educational demands of today's world, and provide our youth with necessary tools to survive and prosper. The societal benefits may be immeasurable.

There would appear to be strong direct and indirect connections between student usage of telecommunications and the future of telecommunications service providers. This connection should be emphasized when considering funding source and support levels for schools and libraries. We should consider this support as a high-priority investment in our future.

South Dakota has not escaped the health care cost upward spiral. Many of our citizens and most of our communities do not have relative timely access to medical facilities and health care experts. We see tremendous possibilities, in terms of both reduced costs and increased services, available through telecommunications. This process, appropriately nurtured, could lead to almost limitless benefit. Again, the end result of the rulemaking should be advancement of the public interest. The public interest related to this issue, in our state, could not be clearer.

Respectfully submitted,
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501


Kenneth Stofferahn, Chairman


James A. Burg, Vice-Chairman

CERTIFICATE OF SERVICE

I hereby certify that the foregoing **Initial Comments of the South Dakota Public Utilities Commission** was served on the following by mailing the same to them by United States Post Office First Class mail, postage thereon prepaid, at the address shown below on this the 12th day of April, 1996.

See attached Exhibit A.

A handwritten signature in dark ink, appearing to read "Delaine Kolbo", is written over a horizontal line.

Delaine Kolbo
Legal Secretary
Public Utilities Commission
500 East Capitol
Pierre, SD 57501

EXHIBIT A

REED E HUNDT
CHAIRMAN
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET NW - ROOM 814
WASHINGTON DC 20554

SUSAN NESS
COMMISSIONER
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET NW - ROOM 832
WASHINGTON DC 20554

KENNETH MC CLURE
VICE CHAIRMAN
MISSOURI PUBLIC SERVICE COMMISSION
301 W HIGH STREET SUITE 530
JEFFERSON CITY MO 65102

MARTHA S HOGERTY
PUBLIC COUNSEL FOR THE STATE OF MO
PO BOX 7800
JEFFERSON CITY MO 65102

DEBORAH DUPONT
FEDERAL STAFF CHAIR
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 257
WASHINGTON DC 20036

EILEEN BENNER
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE ID 83720-0074

WILLIAM HOWDEN
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 812
WASHINGTON DC 20036

DEBRA M KRIETE
PENNSYLVANIA PUBLIC UTILITIES COMM
PO BOX 3265
HARRISBURG PA 17105-3265

MARK LONG
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BLVD
TALLAHASSEE FL 32399-0850

SANDRA MAKEEFF
IOWA UTILITIES BOARD
LUCAS STATE OFFICE BUILDING
DES MOINES IA 50319

ANDREW C BARRETT
COMMISSIONER
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET NW - ROOM 826
WASHINGTON DC 20554

JULIA JOHNSON
COMMISSIONER
FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BLVD
TALLAHASSEE FL 32399-0850

SHARON NELSON
CHAIRMAN
WASHINGTON UTIL AND TRANS COMM
PO BOX 47250
OLYMPIA WA 98504-7250

LASKA SCHOENFELDER
COMMISSIONER
SOUTH DAKOTA PUBLIC UTILITIES COMM
500 EAST CAPITOL AVENUE
PIERRE SD 57501

PAUL E PEDERSON
STATE STAFF CHAIR
MISSOURI PUBLIC SERVICE COMMISSION
PO BOX 360
JEFFERSON CITY MO 65102

CHARLES BOLLE
SOUTH DAKOTA PUBLIC UTILITIES COMM
500 EAST CAPITOL
PIERRE SD 57501

LORRAINE KENYON
ALASKA PUBLIC UTILITIES COMMISSION
1016 WEST SIXTH AVENUE SUITE 400
ANCHORAGE AK 99501

CLARA KUEHN
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 257
WASHINGTON DC 20036

SAMUEL LOUDENSLAGER
ARKANSAS PUBLIC SERVICE COMMISSION
PO BOX 400
LITTLE ROCK AR 72203-0400

PHILIP F MC CLELLAND
PENNSYLVANIA OFFICE OF CONS AFFAIRS
1425 STRAWBERRY SQUARE
HARRISBURG PA 17120

MICHAEL A MC RAE
D.C. OFFICE OF THE PEOPLE'S COUNSEL
1133 15TH STREET NW SUITE 500
WASHINGTON DC 20005

RAFI MOHAMMED
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 812
WASHINGTON DC 20036

TERRY MONROE
NEW YORK PUBLIC SERVICE COMMISSION
THREE EMPIRE PLAZA
ALBANY NY 12223

ANDREW MULITZ
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 257
WASHINGTON DC 20036

MARK NADEL
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET NW ROOM 542
WASHINGTON DC 20554

GARY ODDI
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 257
WASHINGTON DC 20036

TERESA PITTS
WASH UTILITIES AND TRANS COMMISSION
PO BOX 47250
OLYMPIA WA 98504-7250

JEANINE POLTRONIERI
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 257
WASHINGTON DC 20036

JAMES BRADFORD RAMSAY
NAT'L ASSN OF REGULATY UTIL COMM
1201 CONSTITUTION AVENUE NW
WASHINGTON DC 20423

JONATHAN REEL
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 257
WASHINGTON DC 20036

BRIAN ROBERTS
CALIFORNIA PUBLIC UTILITIES COMM
505 VAN NESS AVENUE
SAN FRANCISCO CA 94102-3298

GARY SEIGEL
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 812
WASHINGTON DC 20036

PAMELA SZYMCZAK
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 257
WASHINGTON DC 20036

WHITING THAYER
FEDERAL COMMUNICATIONS COMMISSION
2000 L STREET NW SUITE 812
WASHINGTON DC 20036

DEBORAH S WALDBAUM
COLORADO OFFICE OF CONSUMER COUNSEL
1580 LOGAN STREET SUITE 610
DENVER CO 80203

ALEX BELINFANTE
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET NW
WASHINGTON DC 20554

LARRY POVICH
FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET NW
WASHINGTON DC 20554

OFFICE OF THE SECRETARY
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON DC 20554

COMMISSION'S COPY CONTRACTOR
INTERNATIONAL TRANSCRIPTION SERVICE
1990 M STREET NW ROOM 640
WASHINGTON DC 20036